

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

**L.R. NO.:** 2919-01  
**BILL NO.:** SB 552  
**SUBJECT:** Economic Development; Economic Development Department; Revenue Department; Taxation and Revenue - General; Taxation and Revenue - Income  
**TYPE:** Original  
**DATE:** December 28, 1999

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$5,051,869)	(\$5,053,507)	(\$5,054,619)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$5,051,869)</b>	<b>(\$5,053,507)</b>	<b>(\$5,054,619)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

**Department of Revenue** and **Department of Insurance** officials assume this proposal would not fiscally impact their agency.

Based upon their response to a fiscal note to identical legislation in 1999 (SB 427), officials from the **Department of Economic Development (DED)** assumed that the change in the proposal would reduce workload minimally by deleting the Qualified Research Tax Credit and would increase the workload by expanding the Certified Capital Company (CAPCO) Program. DED stated there would be a need for one (1) additional Economic Development Incentive Specialist II (\$32,952) and associated expense and equipment. DED assumes CAPCOs would increase in number and result in additional work. The CAPCO programs require on-going monitoring of the investments to make sure the CAPCO reaches the required benchmark. DED would set up and administer the entire allocation process, which includes reviewing CAPCO applications for compliance and following the rules and statutes. DED would authorize the tax credit to the investors and complete transfers if needed. DED states they would be required to approve and monitor investments, review quarterly and annual reports, work with the Division of Finance to complete annual department reviews, provide information about the CAPCO program to the general public. DED would work very closely with the CAPCOs to maintain communication and work through problems/concerns. DED states these functions would be performed by the additional FTE.

**Oversight** assumes no additional rental space would be required.

Officials from the **Office of Administration - Budget and Planning** previously deferred to the estimates provided by DED.

**This proposal would result in a decrease in Total State Revenues.**

FISCAL IMPACT - State Government                      FY 2001              FY 2002              FY 2003  
 (10 Mo.)

**GENERAL REVENUE FUND**

Savings - General Revenue Fund

Elimination of research expense tax credit    \$10,000,000    \$10,000,000    \$10,000,000

Loss - General Revenue Fund

Increase in certified capital tax credits        (\$15,000,000) (\$15,000,000) (\$15,000,000)

Cost - Department of Economic Development

Personal service (1 FTE)	(\$28,147)	(\$34,620)	(\$35,484)
Fringe benefits	(\$8,655)	(\$10,646)	(\$10,646)
Expense and equipment	<u>(\$15,067)</u>	<u>(\$8,241)</u>	<u>(\$8,489)</u>
Total <u>Cost - DED</u>	<u>(\$51,869)</u>	<u>(\$53,754)</u>	<u>(\$54,619)</u>

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

**(\$5,051,869)    (\$5,053,507)    (\$5,054,619)**

FISCAL IMPACT - Local Government                      FY 2001              FY 2002              FY 2003  
 (10 Mo.)

**\$0                      \$0                      \$0**

FISCAL IMPACT - Small Business

Small businesses which could qualify for "CAPCO" credits would be affected by this proposal.

DESCRIPTION

This proposal would add the definition of "qualified Missouri seed business" to the certified capital companies (CAPCO) statute. The proposal would remove the discretionary authority of the director of the Department of Economic Development in granting and apportioning the CAPCO tax credits. Aggregate credits would be increased from \$10 million to \$25 million, with \$10 million of the authorized credits to be utilized for investments in qualified Missouri seed businesses. The proposal would also repeal the current statute authorizing the qualified research tax credit.

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DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance  
Department of Economic Development  
Department of Revenue  
Office of Administration  
Division of Budget and Planning



Jeanne Jarrett, CPA  
Director  
December 28, 1999